

**Vermont State College Board of Trustees  
Audit Committee Meeting**

**February 3, 2020  
2:15 pm at the Office of the Chancellor**

**AGENDA**

A. ITEMS FOR DISCUSSION AND ACTION

1. Minutes of the October 21, 2019 Meeting of the Audit Committee

B. ITEMS FOR INFORMATION AND DISCUSSION

1. Review FY2020 Internal Audit Plan Proposal
2. Review Summary of Whistleblower reports
3. Disaster Recovery Planning Discussion Preparation

## B. ITEMS FOR INFORMATION AND DISCUSSION

### 1. **Review FY2020 Internal Audit Proposal**

The internal audit function is an important process that helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Our process is governed by VSC Board Policy 432 “Internal Audits”.

For FY20, we once again utilized the version of an internal controls questionnaire that has now been in place for 3-4 years. This has proven to be a significant improvement from our prior version and provides far more depth that has been helpful in the identification of areas of risk for internal audit consideration. This year, the Business Office at each institution, mainly the Controllers/Deans of Administration, completed the questionnaires and returned them to Stephen T. Wisloski, CFO to kickstart the internal audit process.

When selecting a topic for internal audit we consider multiple factors, including the questionnaire results, the current regulatory environment and trends, current VSC projects underway, as well as the last time we audited a particular function or topic area. Based on our analysis, the Internal Audit Committee is recommending that Payroll/Benefits be the scope of the FY20 Internal Audit.

Please refer to the Internal Audit Plan Proposal herein for detail.

Respectfully,

Internal Audit Committee: Sharron R. Scott, Dean of Administration, NVU  
Toby Stewart, Controller, NVU

## **2. Review Summary of Whistleblower reports**

As part of an annual review, the Audit Committee shall receive a summary of the VSC Whistleblower reports. Please see the excerpts taken from “Board Briefing: Whistleblowing and corporate governance”, Chartered Institute of Internal Auditors, June 19, 2017.

### Whistleblowing and Corporate Governance

- Whistleblowing is an essential safety valve, an important element in a healthy corporate culture, and should be part of the internal control environment.
- Whistleblowing procedures should encourage individuals to disclose concerns using appropriate channels before these concerns become a serious problem, thus avoiding reputational damage through negative publicity, regulatory investigation, fines and/or compensation.
- Boards need to consider the effectiveness of whistleblowing policies and procedures on a regular basis as part of their oversight of the system of internal control.

### Key issues for Boards / Audit Committees

While the responsibility for establishing and operating effective internal whistleblowing procedures lies with...*management*..., boards should maintain oversight and require independent assurance that the organization's whistleblowing policies and procedures are effective in achieving the appropriate outcomes.

## **3. Disaster Recovery Planning Discussion Preparation**

The goal of a Disaster Recovery & Business Continuity Plan is to facilitate the process by which an organization is able to recover and restore critical business processes after a disaster or business disruption has been declared. Organizations should prepare for incidents that could disrupt key business processes for extended periods. Lack of preparedness can expose an organization to a degree of risk that can be detrimental.

Last year at this time, the committee set this important topic on its agenda for discussion and oversight. At the June 2019 Board of Trustees meeting, the Presidents shared the details regarding their extensive individual campus Disaster Recovery Plans and processes. Additionally, the Office of the Chancellor provided an update on the Business Continuity Plan that heavily involves IT and technology requirements. The intent is for management to provide an annual update to the Committee/Board regarding efforts/updates in Disaster Recovery & Business Continuity Plan. At this time, I have attached an article by Deloitte that speaks to the

Audit Committee's role in Disaster Recovery Planning. Although it is from 2015, and with a focus on the UK, it is still very relevant and addresses the key elements the Audit Committee should be considering in regard to this critical topic. This article was provided to the Committee last year as well, but received lots of positive feedback, so we wanted to make it available for those who have not yet seen it. We hope it will help facilitate good discussion for the meeting in the Spring.